

Liberty Loan Sacrifices Far Outdone in Civil War

THE MEN WHO FINANCED THE CIVIL WAR

Nation Would Need to Raise \$74,000,000,000 With European and New York Money Markets Hostile, Half the Country Walled Out, to Equal the Stupendous Effort Made From 1861 to 1865

By William J. Black

THE cataclysm of war throws the social surface up into bold new outlines in the third dimension. The World War has heaved the National Railroad system into being. The Civil War, further centralizing the Union, brought forth the national banking system.

Short as is our national history it is rich in precedents for our present security and progress. The Civil War was fertile in adventures, social, financial and military, which now stand us in good stead. Washington has not been without its historic guidance in all these vast undertakings of 1917.

The Federal point has been moved two intervals. We talk in billions instead of tens of millions. Fundamentally, we proceed as before.

Great courage can be derived from the analysis of Secretary of the Treasury Salmon P. Chase and his co-adjutor, Jay Cooke's, desperate difficulties and their final triumph in financing the Civil War. Were the nation now put to such a test it would be obliged to raise \$74,000,000,000 in four years, and that with a hostile European and New York money market, and with half the nation walled out.

Coan Inventor of Liberty Loans

How Chase encountered amazing indifference to his demands in the money market, how he was forced to resort to "legal tender," paper issues, the "greenbacks," the fiat money of popular contempt, how the Civil War loans went begging without a taker through the dark days of 1861, how the national banking system came into being in the tragic emergency, how Jay Cooke invented the Liberty Loan propaganda, how he sold the national bonds to the farmers, the mechanics, the soldiers and the nurses, and how by advertising national security and national thrift this remarkable man restored the credit of the nation and forged the bullet that won the war becomes to us now not merely a narrative of high dramatic values but a prophecy and an inspiration.

Fought Distress With His Own Money

The day after the disastrous battle of Bull Run, in 1861, Jay Cooke started to sell national bonds for a loan of \$1,737,000 personally in four hours. He fought back financial distress. He organized national confidence, resorting to the advertising of national security and national thrift. He started the first Liberty Loan propaganda with placards, speeches, agents, advertisements and appeals.

Pressed On to National Bank's Goal

Congress was reluctant to levy direct or indirect taxes, lest the political party which imposed the heavy taxes might suffer. The issues of fiat money went on.

Secretary Chase, however, met these supreme emergencies in spite of criticism, and pressed on toward his national banking ideal. Of his legal tender he said:

"The issuance of interest-bearing paper currency and notes through banking associations is the germ of a national banking system."

Interest-bearing paper issues were succeeded by non-interest-bearing issues. Smashing down the opposition to greenback money, Representative Koger, of Illinois, said to Congress: "Members will receive 600,000 of the flower of American youth to be sacrificed without a blush, but the great interest of capital, of money, must not be touched. We have summoned the youth and the money, and we would summon the capital, and if it does not come voluntarily, I would take every cent from the treasury of individuals and press it into the use of the government."

The government legal tender bill, passed February 25, 1862. The National Banking act passed in January of 1863.

"In this way," said a New York editor, "the government was saved the humiliation of shinning through the barber shops."

The First Forgotten Hero of the War

By Major Leon Osteriech

Belgium Military Attaché, Chief of the Belgian Military Mission in U. S. A.

CABLE has just been received by the Belgian Legation announcing that General Leman, the gallant defender of Liège, has arrived at Zurich, Switzerland.

He was a great leader—a trained officer, who had passed through the Military School, the Engineering and Artillery School and the War College. Leman soon became professor in these different establishments for military training, where during many years he taught mathematics and the art of war.

He was named governor of the fortified position of Liège only a few months before the most shameful violation of Belgian territory by the German army. He soon knew every sector of the glacis and every cupola of the forts. He was confronted by the most formidable administrative difficulties which would have made the most brave hesitate. He soon solved these problems. The garrison under his command was constantly in training, and on a certain day when he was galloping on the crest of "Saint Tilment," he might have been heard to say, pointing to the dense woods of the Sclessin Forest and the misty valley of the Ourthe, "it is through there they will attack us."



Salmon P. Chase, Secretary of the Treasury



Jay Cooke, Financier

legal tender. Chase was obliged to resort to a forced loan, effected by the simple expedient of issuing paper currency which the government made legal tender at all debts but government debts. This legal tender issue, however, bore interest.

Congress presently embodied this plan in a statute and authorized the issuance of \$100,000,000 in greenbacks. The payment of specie had been suspended. Gold and silver were hoarded and disappeared as a medium of exchange.

The government paper currency slumped 30 per cent below gold and commodity prices rose. Flour sold at \$5.50 a barrel. The lower the purchasing power of this paper currency fell, the higher went the cost of purchasing munitions and supplies to carry on the war. Soldiers were paid in a depreciated paper money.

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The disappearance of specie obliged the government to issue "inconvertible" small paper currency. Postage stamps were in common use for small change. Pennies coined out of nickel made their appearance. Later these worn postage stamps were used as a medium of exchange at a loss of millions of dollars to the unfortunate holders. Interest rates ran exceedingly high in spite of the issue of paper, because interest was payable in gold. Rates ran as high as 10 per cent and bonds sold as low as 50.

In January, 1863, Congress provided for a National Banking System, and authorized the issuance of \$100,000,000 additional government notes, and \$200,000,000 in current 6 1/2 per cent and \$300,000,000 in 5 per cent Treasury notes, legal tender, redeemable in government notes, also \$150,000,000 additional government notes. The taxation of state bank bills now sounded the death knell of state currency. If the investing public rose to the situation, and if the people gave moral courage to the new National Banking system, the financial crisis might pass.

From Charles Sumner's speech in the Senate, in 1864, we get this remarkable parallel between Civil War banking conditions and our 1917 railroad conditions:

"The measure under consideration seeks to create a new currency by a system of national banks which shall supersede the existing state banks as a medium of exchange. It is an attempt to allow these national banks to be sacrificed to state's rights by exposing them to state taxes."

"State banks are not competent to meet the present crisis. We must have another system, especially a time of national peril. The state banks are in the way. It is no longer expedient that the state banks should have the power to issue money."

"Colbert founded the commercial system of France; Peel founded the fiscal policy of Britain. The present Secretary of the Treasury may boast in the end that he gave a new currency to this country."

"An improved currency will be like a new levy of national troops—a new army in the market."

"We have been warned not to slay the goose that lays the golden eggs, meaning by this goose the state banks, but there is another bird of mightier plumage, and that is the national state bank which lays golden eggs of gold, but of victory. It is the national credit."

It seemed altogether probable that the enemy expected to find before him a commander ready to negotiate and troops resigned to make only the semblance of resistance. Germany held in such contempt all small nations; this "Léon" had such great disdain for "Weakness"; duty and honor were so confused with interest in the mind of Germany that it seemed to her impossible that Belgium should seriously attempt to measure strength with her. The Germans had greatly deceived themselves. The professor, the mathematician, the encyclopedist, in the person of General Leman, was to show himself a great fighting commander in chief.

From his headquarters were sent out every minute precise and rigorous orders. Thanks to which, with his five slim brigades, he was to arrest the onset of seven or eight strong German divisions under von Baumh.

that year took this critical view of affairs:

"Unfortunately the Secretary thought paper promises were capital, and that for the Treasury to borrow, it was first necessary to supply the paper to be borrowed in the form of money. He thought a large issue of paper money must precede a loan. The only capital which can be loaned is derived from profit on industry and commerce."

The banks refused to accept the government's paper. They ceased to pay out specie.

In the face of these untoward conditions, Chase said:

"There has been no expansion of the currency, only contraction."

The census for 1860 showed a total national investment in industry of \$200,000,000, and a total industrial output of \$1,700,000,000. These resources remained in great part untapped in 1862.

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The whole world was astonished by the heroic resistance of Liège, which for thirteen days, with only 25,000 men (one and a half army divisions), held back the invading hordes of Hunns.

Indeed, Liège was the "grain of sand" which threw out of gear the wheels of a most formidable war machine, the construction of which had required forty years of effort.

Seven German army corps (about 300,000 men) were massed along the route of invasion which was barred by the fortified position of Liège.

A detachment of Germans, having put on civilian dress, succeeded in entering Liège, and by treacherous ruse attempted to assassinate Lieutenant General Leman in the offices of his headquarters. The attempt failed, and the Germans who took part in it were killed. In this affair the Belgians, unfortunately, lost a very gallant officer, Captain-Commandant Marchant.

After several days of vigorous and sublime resistance, during which the Germans lost more than 40,000 men, General Leman decided that the forts could no longer be used except to hold the enemy temporarily and that the moment had arrived to order the Third Division to fall back upon the main army. He ascended the troops of the field army between the forts of Loncin and Hologne.

On the 8th of August the Third Division arrived at the River Gette.

Salmon P. Chase, Secretary of the Treasury, and Jay Cooke, Philadelphia Banker, Then Invented Spectacular Bond Selling Crusade Their Financing Won War and Founded National Bank System

his pay with this remark: 'If I fight, how much my bonds will be good.' Another soldier said: 'I am willing to trust Uncle Sam; if he is not good nobody else is!'

From "The Philadelphia Inquirer" one gets this item:

"One man had a big sum slung over his shoulder. Another offered \$20,000. All the soldiers may congratulate themselves that they have here found a stock that will be perfectly safe."

Jay Cooke lent encouragement with interviews in all the newspapers. Our 1917 campaigns only perfected the excellent Cooke methods, as for example, "In the last six days 800 persons have subscribed in Philadelphia, nearly amounting to a regiment. Their charge of money-bags is quite as efficient as a charge of bayonets."

Cooke organized the forces of the railroad securities subscription from thousands of employees on each road. He raised flags over the doorways to his agency offices. He advocated the paying of munition contractors in national bank checks, as for example, Henry, through the West with the injunction: "Keep the newspapers fired up daily."

An example of newspaper appeal is found in the "Herald-Register" strikingly suggestive of the Liberty Loan appeals of to-day, thus:

"Our administration wants money to perpetuate the best government that the world ever saw and asks us to contribute a 2 per cent. Are we less patriotic than the people? Never was there a time when there was so much money in Blair County seeking investment as at present. Here is a rare chance to show our loyalty and profit ourselves. Let us come on with your spare cash and help our country give rebellion the finishing stroke."

Cooke, one discovers from his interview with the "Herald-Register" with "the rank and file of the people, the people who bore the weight of the war as they bore the knapsack and the musket."

"Money," he said, "is the great power in a war and will win the war at last."

"To farmers, mechanics and capitalists" thus ran his display advertisement appeal. Under this caption he wrote the following:

"It is the solemn duty to perform to your government to do patriotism. Our gallant army and navy must be supported by every man and woman who has any means, large or small. 'What our revolutionary fathers are to us we will be to the coming generations. Talk not of taxes; they secure liberty. Take the loans and the taxes will fall more lightly.'

"So tremendous was the appeal that \$12,000,000 a week was soon pouring into the Treasury. On November 1, 1863, 5,000 persons, farmers, workmen, women, capitalists and Congressmen subscribed \$5,000,000. So large were the subscriptions on the last day that the loan was over-subscribed by \$11,000,000.

This feat was acclaimed as being without parallel in the history of finance. These bonds presently sold at a premium. The New York Tribune later, in 1873, at the time of Cooke's later losses in Northern Pacific, paid out the principal and interest of which is payable in gold.

FORWARD AT ONCE YOUR MONEY

Subscription Agent
114 S. Third St., Philadelphia.

In the first loan distributions Cooke risked his private fortune and paid large sums for advertisements out of his own pocket. By this time, however, the Secretary of the Treasury recognized the efficiency of advertising and of organization and he allowed Cooke one-eighth of 1 per cent for the loan. Cooke made nearly half a million out of it, and "The New York World" demanded to know why he should have a monopoly. Congress, too, was captious. But the thrift propaganda went on.

"A Word to Gold Hoarders" was one of the pertinent captions of a Cooke circular. The hoarders began to turn their hoardings into the laps of the agents. Even "copperhead" Baltimore and half-breed Kentucky bought liberally of the bonds. Farmers in Maryland and in Ohio had never before seen a bond went into their socks and under their rafters for their savings. Said "The Philadelphia Press" in a campaign issue:

"An encouraging feature was the demand for bonds from sections from which there had hitherto been no call for this class of investment, Maryland, Virginia and the border States. Soldiers in the Army of the Potomac sent a subscription out of

of the enemy. I, nevertheless, maintained the military government of the place in order that I might organize its defense as far as was possible for the present. My first duty was to effect on the garrison of the moral effect of the garrison of the fort was proved by the grave events that followed.

"Your majesty is aware that I took up my position in the fort of Loncin on the 6th of August, toward noon. 'Sire, you will be grieved to learn that this fort was blown up about 5:20, having been shelled by the mortar of the garrison, perhaps four-fifths of the fort was blown up. I should have lost my life in this catastrophe had it not been that my escort, composed of Commander Captain Colard, non-commissioned infantry officer, who has no doubt perished; Gendarme Thevenin and my two orderlies (Ch. Vandenbosch and Joz. Lecocq), removed me from a part of the fort where I was in danger of asphyxiation by the fumes of the explosion. I was carried into the trench, where I fell. A German captain of the name of Gruson gave me some water to drink. I was made a prisoner and then taken to Liège in an ambulance.

"I am confident of having upheld the honor of our arms, and I considered the fort of Loncin as a military magazine which had been penetrated by a 42-centimetre shell in spite of the terrific cannonading

to be resumed." And gold payments were promptly made in redemption of Federal obligations, thus liquidating honorably the debt of the nation.

By odd coincidence, Salmon P. Chase, the issuer of legal tender, not only Chief Justice of the Supreme Court sat upon the legal tender cases in litigation.

Jay Cooke established a New York and a London branch and embarked on vast railroad promotion enterprises. He was about to solve his difficulties with the slumping Northern Pacific Railroad in 1870, by making a loan in Texas when Louis Napoleon upset Cooke's methods, as for example, Cooke's banking houses closed in the crash, and although he lived in state to a ripe old age in "Cooke's Folly," a vast estate near Philadelphia, he never recovered from his precipitous financial standing.

In this respect his career had a parallel in that of Robert Morris, the financier of the American Revolution, though Morris raised sums of \$50,000, whereas Cooke raised a total of \$50,000,000. The First Napoleon's European operations broke Robert Morris, and because of the harsh bankruptcy laws of that period Morris went to prison for debt. Morris, too, was handicapped by his marbled paper, the Republic. Both Morris and Cooke have been selected by the Republic, which erects its monuments to heroes with men trying to stay on them rather than to patriots of today.

Our present financial labors demand a modern Hercules. But the task will not daunt us if we measure the task successfully performed by Messrs. Chase and Cooke. A comparative table, based on this sketchy narrative, is suggestive:

Resources of banks in 1861	\$1,500,000,000
Resources of banks in 1917	\$7,000,000,000
Excess of deposits during Civil War	3,000,000,000
Total cost of Civil War	4,000,000,000
Proportional amount that could have been raised in four years	74,000,000,000
Amount voted already, 1917	22,000,000,000
1917 American people	225,000,000,000
Income of people, 1917	40,000,000,000
Total national investment, 1917	55,000,000,000
Industry in 1860	200,000,000
Total industrial output, 1860	1,700,000,000
Excess of deposits over loans, 1917	6,500,000,000
Interest on 1917 national debt	2,500,000,000
Earnings of banks, 1917, 13 per cent more	2,500,000,000

Our resources are now more than twenty-five times as great. It is doubtful if the calls of the World War can ever be proportionately as great as those of the Civil War. But even if this be proved true, we can find comfort in the fact that seven years after the Civil War three-eighths of the cost of it had been paid off.

We May Reach Japanese Standard

Jay Cooke gave us a primary lesson in national thrift. Mr. McAdoo, with his National Loans and his War Savings Stamp Loans, is giving us a secondary lesson. Presently we will have a senior lesson. Japan could give it. Her people are very poor. But 12-1/2 per cent of her population have savings accounts. A larger proportion than we can boast of. Her own people are investing in her government securities. In one year 500,000 new accounts have been opened. In 1914 there were 2,842,000 students with savings accounts in Japan.

These challenging comparisons are being used in the nation-wide thrift campaign now being promoted by the American Bankers' Association, the figures quoted being supplied by A. D. Welton and M. W. Harrison, of that organization.

In 1861 the Civil War financiers found the rank and file of the people ignorant of what national bonds were. They had never heard of them. They used to catch the masses by calling a \$5 Treasury gold bill as "Democratic party money," a Civil War government bond as "Republican money" and a shilling ticket as the money "we are coming to."

But before Jay Cooke got through his spectacular and invaluable thrift campaigns he had already nailed to the dead walls, the bulletin boards, the posts and the trees the very principles of the present day thrift drive embodied in the programme underlying the War Savings Stamp propaganda, thus:

Encourage savings bank withdrawals. Eliminate waste. Stimulate production. Encourage saving. Jay Cooke well displayed his grasp of the fundamentals of war finance in this center.

"The credit of the government is expressed by the enthusiasm with which the people meet the calls of the Treasury.

General Leman was sent a prisoner to Germany, where on several occasions he was offered his liberty if he would give his parole. He indignantly refused, and it is only now, after his health has suffered severely from confinement, that the Germans have permitted him to go to hospital in Switzerland, where he can remain his daughter, who the Germans had refused to permit to visit him during his captivity.

General Leman, together with the King, Cardinal Mercier and the Burgomaster of Brussels, Monsieur Max, will remain one of the most glorious figures in the history of this terrible war. He typifies the resistance of Belgium which has risen, as one man, to face the German eagle and to give an effective "no" in response to the infamous proposals of Germany. He symbolizes the spirit of sacrifice of a people who prefer death to dishonor. He stands out in striking contrast to the traitor figure of a treacherous and perjured Kaiser.

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